

Message Text

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ACTION EB-11

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INFO AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: ETRD, BEXP, HU

SUBJ: FIRST FOREIGN CAPITAL IN HUNGARIAN FIRM: SIEMENS
TO HAVE 49 PERCENT OF NEW COMPANY

REF A: STATE 41354 (NOTAL) (OFFICES)

B: BUDAPEST 0821 (NOTAL) (CREDITANSTALT)

C: BUDAPEST 0349 (NOTAL) (DOW CHEMICAL)

D: BUDAPEST 3654 OF NOV 8, 1973 (NOTAL)

(OFFICES TO BE AVAILABLE)

E: BUDAPEST 2678 OF JULY 20, 1973 (NOTAL) (SIEMENS)

USDOC FOR BEWT (INCL OEC); VIENNA FOR EWTC

1. SUMMARY: SIEMENS WILL OWN 49 PERCENT OF NEW ENTERPRISE
TO BE FOUNDED JOINTLY WITH HUNGARIAN FIRM
INTERCOOPERATION. FIRM WILL OFFICIALLY BE FOR CONSULTING
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ENGINEERING AND SERVICE, NOT FOR MANUFACTURING OR TRADING.

THIS WILL BE FIRST JOINT STOCK VENTURE WITH FOREIGN PARTNER IN HUNGARY. ALTHOUGH FINAL APPROVAL NOT GIVEN, IT IS IMMINENT ACCORDING TO PUBLISHED REPORTS BY MTI NEWS AGENCY AND CHAMBER OF COMMERCE NEWSPAPER VILAGGAZDASAG. END SUMMARY.

2. ON MAY 22 TWO LIMITED CIRCULATION DAILIES, MTI DAILY BUPLETIN AND CHAMBER OF COMMERCE'S VILAGGAZDASAG, CARRIED STORIES ON ANNOUNCEMENT BY SIEMENS OF NEW HUNGARIAN COMPANY TO BE CREATED WITH 49 PERCENT SIEMENS OWNERSHIP. NEGOTIATIONS ON ESTABLISHMENT OF NEW COMPANY, IN WHICH HUNGARIAN FIRM INTERCOOPERATION WILL HAVE 51 PERCENT INTEREST, ARE NEARLY COMPLETE AND NECESSARY GOVERNMENT PERMISSION HAS BEEN OBTAINED. SIGNING OF CONTRACT ESTABLISHING NEW ENTERPRISE (NAME WASN'T GIVEN) IS IMMINENT.

3. ANNOUNCEMENTS NOTE COMPANY WILL BE FOR CONSULTING ENGINEERING AND SERVICE, NOT FOR MANUFACTURING OR TRADE. WHILE THIS NEW SIEMENS ENTERPRISE WILL BE FIRST FOREIGN CAPITAL IN HUNGARIAN ENTERPRISE, IT WILL NOT BE FIRST WESTERN OFFICE. IBM HAS OWN WHOLLY-OWNED SUBSIDIARY HERE AS PRE-WWII LEGACY AND ICL HAS OFFICE FOR "COOPERATION" HERE. OUTSIDE OF ELECTRONICS FIELDN AUSTRIA'S LARGEST BANK CCREDITANSTALT-BANKVEREIG WILL SOON OPEN FIRST FOREIGN BANK OFFICE HERE (SEE REFTEL B), AND SHELL HAS SMALL OFFICE TO WORK WITH INTERAG AGENCY COMPANY. TWO JAPANESE COMPANIES ARE UNOFFICIALLY REPRESENTED HERE AND VARIOUS OTHER FIRMS ARE "COOPERATING" WITH OR ADVISING LOCAL ENTERPRISES. STIPL, ASIDE FROM IBM AND CREDITANSTALT REPRESENTATION, NO WESTERN COMPANY HAS LEGALLY ESTABLISHED INDEPENDENT OFFICE HERE AND SIEMENS WILL BE FIRST FOREIGN COMPANY UNDER COMMUNIST GOVERNMENT TO ESTABLISH JOINT CAPITAL VENTURE IN HUNGARY.

4. INTERCOOPERATION WAS ESTABLISHED TO PARTICIPATE IN NEW TYPES OF COOPERATION, AND IT IS LOGICAL HUNGARIAN CO-OWNER FOR NEW ENTERPRISE. INTERCOOPERATION OFTEN FUNCTIONS, ACCORDING TO ITS GENERAL MANAGER, AS "MERCHANT BANK". SIEMENS ALSO IS LOGICAL FIRST FOREIGN LIMITED OFFICIAL USE

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OWNER. IN OUR OPINION, IT MAY BE TRUE THAT NO OTHER SINGLE FOREIGN COMPANY -- EAST OR WEST -- HAS SUCH BROAD RELATIONS WITH HUNGARIAN INDUSTRY. SIEMENS HAS WIDE PERSONAL CONTACTS HERE AND HAS MADE EXTENSIVE TRANSFERS OF NOT PARTICULARLY ADVANCED TECHNOLOGY TO HUNGARY. THE TRADE RESULT FOR SIEMENS IS LARGE, THOUGH NOT AS LARGE AS WITH USSR, POLAND, AND CZECHOSLOVAKIA.

5. VILAGGAZDASAG ARTICLE STATES THAT CREATION OF NEW COMPANY IS LOGICAL DEVELOPMENT OF FRAME CONTRACT CONCLUDED ABOUT ONE YEAR AGO BETWEEN SIEMENS AND NATIONAL TECHNICAL DEVELOPMENT COMMISSION. WE NOTE THAT HEAD OF COMMISSION, SEBASTIAN, IS FRIEND OF SIEMENS BOARD MEMBER DAX, WHO LIVED IN HUNGARY BEFORE WWII (SEE REFTEL E ON COMMISSION/SIEMENS RELATIONSHIP).

6. PRESS ANNOUNCEMENT NAMED ONLY FEW OF SIEMENS' HUNGARIAN CUSTOMERS AND EMPHASIZED CONTRIBUTION SIEMENS REPRESENTATIVE SAID COULD BE MADE TO COMPUTER TECHNIQUES, DATA PROCESSING AND PROCESS CONTROL. HUNGARIAN CONTACTS NAMED WERE COMPUTER TECHNIQUE COORDINATING INSTITUTE (SOFTWARE DEVELOPMENT), VBKM (AUTOMATIC FUSES, AND REGULATING EQUIPMENT FOR ENERGY PRODUCTION), AND MEDICOR (DENTAL INSTRUMENTS). NO MENTION WAS MADE OF EXTENSIVE SIEMENS CONTRIBUTIONS TO OTHER SECTORS OF HUNGARIAN INDUSTRY.

7. IT IS DIFFICULT TO FORESEE HOW APPROVAL OF THIS JOINT VENTURE (WHICH AS DESCRIBED IN PRESS IS ACTUALLY LESS INDEPENDENT THAN WHOLLY-OWNED AND CONTROLLED IBM HUNGARY OFFICE/COMPANY) WILL EFFECT PENDING DOW CHEMICAL REQUEST FOR INDEPENDENT OFFICE HERE (SEE REFTEL C). PEDERSEN

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